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**State of California
Office of Administrative Law**by EXECUTIVE DIRECTOR'S OFFICE
STATE BOARD OF EQUALIZATION

In re:

Board of Equalization**Regulatory Action:****Title 18, California Code of Regulations****Adopt sections:****Amend sections:** 263, 462.020, 462.060,
462.160, 462.180, 462.220,
464.240**Repeal sections:****NOTICE OF APPROVAL OF CHANGES
WITHOUT REGULATORY EFFECT****California Code of Regulations, Title 1,
Section 100****OAL File No. 2013-1108-02 N**

Article 4 (commencing with section 460) of chapter 4 of division 1 of title 18 of the California Code of Regulations contains property tax rules the State Board of Equalization has adopted in accordance with Government Code section 15606 to implement, interpret, and make specific the provisions for determining whether real property has undergone a change in ownership under chapter 2 (commencing with section 60) of part 0.5 of division 1 of the Revenue and Taxation Code for property tax purposes. The State Board of Equalization has proposed changes to section 263, 462.020, 462.060, 462.160, 462.180, 462.220, and 462.240 to title 18 of the California Code of Regulations to implement changes made to this chapter of the Revenue and Taxation Code by SB 565 (Stats. 2005, ch. 416), AB 1700 (Stats. 2012, ch. 781), and AB 2046 (Stats. 2012, ch. 817) and to make minor grammatical and formatting changes. This filing is submitted to the Office of Administrative Law pursuant to section 100 of title 1 of the California Code of Regulations as a change without regulatory effect.

OAL approves this change without regulatory effect as meeting the requirements of California Code of Regulations, Title 1, section 100.

Date: 12/24/2013


Craig S. Tarpenning
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Director

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DEBRA M. CORNEZ
Director

MEMORANDUM

TO: Richard Bennion
FROM: OAL Front Desk
DATE: 12/27/2013
RE: Return of Approved Rulemaking Materials
OAL File No. 2013-1108-02N

OAL hereby returns this file your agency submitted for our review (OAL File No. 2013-1108-02N regarding Roll Corrections).

Enclosures If this is an approved file, it contains a copy of the regulation(s) stamped "ENDORSED APPROVED" by the Office of Administrative Law and "ENDORSED FILED" by the Secretary of State.

The effective date of an approved regulation is specified on the Form 400 (see item B.5). **Beginning January 1, 2013**, unless an exemption applies, Government Code section 11343.4 states the effective date of an approved regulation is determined by the date the regulation is filed with the Secretary of State (see the date the Form 400 was stamped "ENDORSED FILED" by the Secretary of State) as follows:

- (1) **January 1** if the regulation or order of repeal is filed on September 1 to November 30, inclusive.
- (2) **April 1** if the regulation or order of repeal is filed on December 1 to February 29, inclusive.
- (3) **July 1** if the regulation or order of repeal is filed on March 1 to May 31, inclusive.
- (4) **October 1** if the regulation or order of repeal is filed on June 1 to August 31, inclusive.

If an exemption applies concerning the effective date of the regulation approved in this file, then it will be specified on the Form 400. The Notice of Approval that OAL sends to the state agency will contain the effective date of the regulation. The history note that will appear at the end of the regulation section in the California Code of Regulations will also include the regulation's effective date. Additionally, the effective date of the regulation will be noted on OAL's Web site once OAL posts the Internet Web site link to the full text of the regulation that is received from the state agency. (Gov. Code, secs. 11343 and 11344.)

Please note this new requirement: Unless an exemption applies, Government Code section 11343 now requires:

1. **Section 11343(c)(1):** Within 15 days of OAL filing a state agency's regulation with the Secretary of State, the state agency is required to post the regulation on its Internet Web site in an easily marked and identifiable location. The state agency shall keep the regulation posted on its Internet Web site for at least six months from the date the regulation is filed with the Secretary of State.
2. **Section 11343(c)(2):** Within five (5) days of posting its regulation on its Internet Web site, the state agency shall send to OAL the Internet Web site link of each regulation that the agency posts on its Internet Web site pursuant to section 11343(c)(1).

OAL has established an email address for state agencies to send the Internet Web site link to for each regulation the agency posts. Please send the Internet Web site link for each regulation posted to OAL at postedregslink@oal.ca.gov.

NOTE ABOUT EXEMPTIONS. Posting and linking requirements do not apply to emergency regulations; regulations adopted by FPPC or Conflict of Interest regulations approved by FPPC; and regulations not subject to OAL/APA review. However, an exempt agency may choose to comply with these requirements, and OAL will post the information accordingly.

DO NOT DISCARD OR DESTROY THIS FILE

Due to its legal significance, you are required by law to preserve this rulemaking record. Government Code section 11347.3(d) requires that this record be available to the public and to the courts for possible later review. Government Code section 11347.3(e) further provides that "...no item contained in the file shall be removed, altered, or destroyed or otherwise disposed of." See also the State Records Management Act (Government Code section 14740 et seq.) and the State Administrative Manual (SAM) section 1600 et seq.) regarding retention of your records.

If you decide not to keep the rulemaking records at your agency/office or at the State Records Center, you may transmit it to the State Archives with instructions that the Secretary of State shall not remove, alter, or destroy or otherwise dispose of any item contained in the file. See Government Code section 11347.3(f).

Enclosures

NOTICE PUBLICATION/REGULATION SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-2013)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER 2013-1108-02N	EMERGENCY NUMBER
For use by Office of Administrative Law (OAL) only			
NOTICE		REGULATIONS	
AGENCY WITH RULEMAKING AUTHORITY State Board of Equalization			

ENDORSED FILED
IN THE OFFICE OF

2013 DEC 24 PM 12:57


 DEBRA BOWEN
 SECRETARY OF STATE
A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)


1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY	ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		NOTICE REGISTER NUMBER	PUBLICATION DATE

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Roll Corrections		1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)	
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)			
SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)		ADOPT	
TITLE(S) 18		AMEND 263, 462.020, 462.060, 462.160, 462.180, 462.220, 462.240	
3. TYPE OF FILING		REPEAL	
<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346) <input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4) <input type="checkbox"/> Emergency (Gov. Code, §11346.1(b)) <input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute. <input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1) <input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h)) <input type="checkbox"/> File & Print <input type="checkbox"/> Other (Specify) _____			
<input checked="" type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100) <input type="checkbox"/> Print Only			
4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)			
5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)			
<input type="checkbox"/> Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a)) <input type="checkbox"/> Effective on filing with Secretary of State <input checked="" type="checkbox"/> \$100 Changes Without Regulatory Effect <input type="checkbox"/> Effective other (Specify) _____			
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY			
<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660) <input type="checkbox"/> Fair Political Practices Commission <input type="checkbox"/> State Fire Marshal <input type="checkbox"/> Other (Specify) _____			

7. CONTACT PERSON Richard E. Bennion	TELEPHONE NUMBER (916) 445-2130	FAX NUMBER (Optional) (916) 324-3984	E-MAIL ADDRESS (Optional) rbennion@boe.ca.gov
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8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE 	DATE November 7, 2013
TYPED NAME AND TITLE OF SIGNATORY Joann Richmond, Chief, Board Proceedings Division	

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

DEC 24 2013

Office of Administrative Law

Text of Proposed Changes to

Title 18. Public Revenue

Rule 263. Roll Corrections.

(a) . . . (unchanged).

(b) Any error or omission involving the exercise of value judgment that arises solely from a failure to reflect a decline in the taxable value of real property, floating homes subject to taxation pursuant to Revenue and Taxation Code section 229, and manufactured homes subject to taxation under Part 13 (commencing with section 5800) of Division 1 of the Revenue and Taxation Code, as required by paragraph (2) of subdivision (a) of Revenue and Taxation Code section 51, shall be corrected within one year after the making of the assessment that is being corrected.

(c) Any incorrect entry on the roll resulting from a defect of description or clerical error, as determined by the assessor upon audit, made by the assessee in the property statement or in other information or records which causes the assessor to assess taxable tangible property which was not subject to assessment or to assess taxable tangible property at a substantially higher value may be corrected under this article. The correction shall be made after the roll is delivered to the auditor within the time period for making escape assessments as provided in Revenue and Taxation Code sections 532 and 532.1. The change to be made on the roll shall be certified to the auditor by the assessor.

(d) If a correction will increase the amount of unpaid taxes, the assessor shall notify the assessee of the procedure for obtaining review by the county board under Revenue and Taxation Code section 1605 and the procedure for applying for cancellation under Revenue and Taxation Code section 4986.

(e) . . . (unchanged).

(f) . . . (unchanged).

(g) The provisions of this rule do not apply to escape assessments caused by the assessee's failure to report the information required by Article 2 (commencing with section 441) of Chapter 3 of Part 2 of Division 1 of the Revenue and Taxation Code, and roll corrections are not a prerequisite for escape assessments or base year value corrections.

(h) . . . (unchanged):

(1) . . . (unchanged).

(2) Enter the date and nature of the correction with reference to the property for which the correction is being made.

(i) . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

Note: Authority cited: Section 15606, Government Code. Reference: Sections 4831, 4831.5, 4834, 4835, 4836, 4838 and 4840, Revenue and Taxation Code.

Rule 462.020. Change in Ownership – Tenancies in Common.

(a) General Rule. . . . (unchanged).

(b) Exceptions. The following transfers do not constitute a change in ownership:

(1) The transfer is between or among co-owners and results in a change in the method of holding title but does not result in a change in the proportional interests of the co-owners, such as:

(A) . . . (unchanged),

(B) a transfer from a ~~co-tenancy~~cotenancy to a joint tenancy, or

(C) a transfer from a ~~co-tenancy~~cotenancy to a legal entity which results solely in a change in the method of holding title and in which the proportional ownership interests in the property remain the same after the transfer. (Such transferees shall be considered to be the “original co-owners” of the property for purposes of determining whether a change in ownership has occurred upon the subsequent transfers of the ownership interests in the property.)

Example 1: A and B own a parcel of real property as tenants in common each owning a 50% percent interest. They transfer the property to a newly formed corporation each receiving 50% percent of the stock. Such a transfer would not be regarded as a change in ownership.

(2) . . . (unchanged).

Example 2: . . . (unchanged).

Example 3: . . . (unchanged).

(3) The transfer is one to which the interspousal exclusion, pursuant to Revenue and Taxation Code section 63, or the registered domestic partner exclusion, pursuant to Revenue and Taxation Code section 62, subdivision (p), applies.

(4) The transfer is one to which the parent-child or grandparent-grandchild exclusion applies, and for which a timely claim has been filed as required by ~~law~~Revenue and Taxation Code section 63.1.

(5) The transfer is one to which the cotenancy exclusion, pursuant to Revenue and Taxation Code section 62.3, applies.

Note: Authority cited: Section 15606, Government Code. Reference: Sections 60, 61, 62, 63, 63.1, 65, 65.1 and 67, Revenue and Taxation Code.

Rule 462.060. Change in Ownership – Life Estates and Estates for Years.

(a) Life estates. The creation of a life estate in real property is a change in ownership at the time of transfer unless the instrument creating the life estate reserves such estate in the transferor or the transferor's spouse, pursuant to Revenue and Taxation Code section 63, or registered domestic partner, pursuant to Revenue and Taxation Code section 62, subdivision (p). However, the subsequent transfer of such a life estate by the transferor or the transferor's spouse or registered domestic partner to a third party is a change in ownership. Upon termination of such a reserved life estate, the vesting of a right of possession or enjoyment of a remainderman (other than the transferor or the transferor's spouse or registered domestic partner) is a change in ownership.

(b) Estate for years. The creation of an estate for years for a term of 35 years or more in real property is a change in ownership at the time of transfer unless the instrument creating the estate for years reserves such estate in the transferor or the transferor's spouse, pursuant to Revenue and Taxation Code section 63, or registered domestic partner, pursuant to Revenue and Taxation Code section 62, subdivision (p). However, the subsequent transfer of such an estate for years by the transferor or the transferor's spouse or registered domestic partner to a third party is a change in ownership. Upon the termination of a reserved estate for years for any term, the vesting of the right to possession or enjoyment of a remainderman (other than the transferor or the transferor's spouse or registered domestic partner) is a change in ownership. The creation or transfer of an estate for years for less than 35 years is not a change in ownership.

Note: Authority cited: Section 15606, Government Code. Reference: Sections 60, 61, 62, 63 and 67, Revenue and Taxation Code.

Rule 462.160. Change in Ownership – Trusts.

(a) Creation. General Rule. . . . (unchanged).

(b) Exceptions. The following transfers do not constitute changes in ownership:

(1) Irrevocable Trusts.

(A) Trustor-Transferor Beneficiary Trusts. The transfer of real property by the trustor to a trust in which the trustor-transferor is the sole present beneficiary of the trust. However, a change in ownership of trust property does occur to the extent that persons other than the

trustor-transferor are or become present beneficiaries of the trust unless otherwise excluded from change in ownership.

Example 1: M transfers income-producing real property to revocable living Trust A, in which M is the sole present beneficiary. Trust A provides that upon M's death, Trust A becomes irrevocable, M's brother B becomes a present beneficiary, and income from the trust property is to be distributed to B for his lifetime. Upon M's death, 100% percent of the property in Trust A, representing B's present beneficial interest, undergoes a change in ownership.

Where a trustee of an irrevocable trust has total discretion ("sprinkle power") to distribute trust income or property to a number of potential beneficiaries, the property is subject to change in ownership, because the trustee could potentially distribute it to a non-excludable beneficiary, unless all of the potential beneficiaries have an available exclusion from change in ownership.

Example 2: H and W transfer real property interests to the HW Revocable Trust. No change in ownership. HW Trust provides that upon the death of the first spouse the assets of the deceased spouse shall be distributed to "A Trust₁"; and the assets of the surviving spouse shall be distributed to "B Trust₁"; of which surviving spouse is the sole present beneficiary. H dies and under the terms of A Trust, W has a "sprinkle" power for the benefit of herself, her two children and her nephew. When H dies, A Trust becomes irrevocable. There is a change in ownership with respect to the interests transferred to the A Trust because the sprinkle power may be exercised so as to omit the spouse and the children as present beneficiaries for whom exclusions from change in ownership may apply, and there are no exclusions applicable to the nephew. However, if the sprinkle power could be exercised only for the benefit of W and her children for whom exclusions are available, the interspousal exclusion and the parent/child exclusion would exclude the interests transferred from change in ownership, provided that all qualifying requirements for those exclusions are met.

Example 3: Same as Example 2 above, except that "A Trust" is without any sprinkle power. When H dies, A Trust becomes irrevocable. Since A Trust holds the assets for the benefit of W, the two children, and the nephew in equal shares, with any of W's share remaining at her death to be distributed to the two children and the nephew in equal shares, there is a change in ownership only to the extent of the interests transferred to the nephew, providing that the parent/child exclusion of Revenue and Taxation Code Section 63.1 and the interspousal exclusion of Revenue and Taxation Code Section 63 apply to the interests transferred to the two children and to W respectively. Upon the death of W, there is a change in ownership to the extent of the interests transferred to the nephew, although the parent/child exclusion of Revenue and Taxation Code Section 63.1 may exclude from change in ownership the interests transferred to the two children. If A Trust had included a sprinkle power, instead of specifying the beneficiaries of the trust income and principal, then as in Example 2, none of the exclusions would apply.

(B) 12 Year Trustor Reversion Trusts. . . . (unchanged).

(C) Irrevocable Trusts Holding Interests in Legal Entities. The transfer of an ownership interest in a legal entity holding an interest in real property by the trustor into a trust in which the trustor-transferor is the sole present beneficiary or to a trust in which the trustor-transferor retains the reversion as defined in subdivision (b)(1)(B) of this rule. However, a change in ownership of the real property held by the legal entity does occur if Revenue and Taxation Code section 61, subdivision (i), 64, subdivision (c), or 64, subdivision (d) applies because the change in ownership laws governing interests in legal entities are applicable regardless of whether such interests are held by a trust.

Example 4: Husband and Wife, partners in HW Partnership who are not original ~~co-owners~~ co-owners, transfer 70 percent of their partnership interests to HW Irrevocable Trust and name their four children as the present beneficiaries of the trust with equal shares. Husband and Wife do not retain the reversion. Under Revenue and Taxation Code section 64, subdivision (a) the transfer of the partnership interests to HW Irrevocable Trust is excluded from change in ownership because no person or entity obtains a majority ownership interest in the HW Partnership.

(2) Revocable Trusts. . . . (unchanged).

(3) Interspousal and Registered Domestic Partner Trusts. The transfer is one to which the interspousal exclusion, pursuant to Revenue and Taxation Code section 63, or registered domestic partner exclusion, pursuant to Revenue and Taxation Code section 62, subdivision (p), applies. However, a change in ownership of trust property does occur to the extent that persons other than the trustor-transferor's spouse or registered domestic partner are or become present beneficiaries of the trust unless otherwise excluded from change in ownership.

(4) Parent-Child or Grandparent-Grandchild Trusts. The transfer is one to which the parent-child or grandparent-grandchild exclusion applies, and for which a timely claim has been made as required by ~~law~~ Revenue and Taxation Code section 63.1. However, a change in ownership of trust property does occur to the extent that persons for whom the parent-child or grandparent-grandchild exclusion is not applicable are or become present beneficiaries of the trust unless otherwise excluded from change in ownership.

(5) Proportional Interests. . . . (unchanged).

(6) Other Trusts. The transfer is from one trust to another and meets the requirements of (1), (2), (3), (4), or (5) of this subdivision.

(c) Termination. General Rule. . . . (unchanged).

(d) Exceptions. The following transfers do not constitute changes in ownership:

(1) Prior Change in Ownership. . . . (unchanged).

Example 5: . . . (unchanged).

(2) Revocable Trusts. . . . (unchanged).

(3) Trustor Reversion Trusts. . . . (unchanged).

(4) Interspousal and Registered Domestic Partner Trusts. Termination results in a transfer to which the interspousal exclusion, pursuant to Revenue and Taxation Code section 63, or the registered domestic partner exclusion, pursuant to Revenue and Taxation Code section 62, subdivision (p), applies.

(5) Parent-Child or Grandparent-Grandchild Trusts. Termination results in a transfer to which the parent-child or grandparent-grandchild exclusion applies, and for which a timely claim has been filed as required by ~~law~~ Revenue and Taxation Code section 63.1.

(6) Proportional Interests. . . . (unchanged).

(7) Other Trusts. . . . (unchanged).

(e) For purposes of this rule, the term “trust” does not include a Massachusetts business trust or similar trust, which is taxable as a legal entity and managed for profit for the holders of transferable certificates which, like stock shares in a corporation, entitle the holders to share in the income of the property. For rules applicable to Massachusetts business trusts or similar trusts, see Revenue and Taxation Code Ssection 64 of the Revenue and Taxation Code and Rule 462.180, which address legal entities.

Note: Authority cited: Section 15606, Government Code. Reference: Sections 60, 61, 62, 63, 63.1, 63.1 note and 64, Revenue and Taxation Code.

Rule 462.180. Change in Ownership – Legal Entities.

(a) Transfers of Real Property to and by Legal Entities. General Rule. The transfer of any interest in real property to a corporation, partnership, limited liability company, or other legal entity is a change in ownership of the real property interest transferred. For purposes of this rule, “real property” or “interests in real property” includes real property interests and fractional interests thereof, the transfer of which constitute a change in ownership under Revenue and Taxation Code Ssections 60 and the following applicable sections of the Revenue and Taxation Code, and under the applicable change in ownership provisions of the Property Tax Rules.

(b) Exceptions. . . . (unchanged):

(1) Affiliated Corporation Transfers. . . . (unchanged):

(A) . . . (unchanged), and

(B) . . . (unchanged).

SIMPLE EXAMPLE . . . (unchanged).

Example 1: Any transfer by C (wholly owned by A and B) to B (wholly owned by A and P) would not be a change in ownership because of those relationships and because P owns 100% percent of A.

[Last sentence in subdivision (b)(1)] . . . (unchanged).

(2) Proportional Transfers of Real Property. Transfers of real property between separate legal entities or by an individual to a legal entity (or vice versa), which result solely in a change in the method of holding title and in which the proportional ownership interests in each and every piece of real property transferred remain the same after the transfer. (The holders of the ownership interests in the transferee legal entity, whether such interests are represented by stock, partnership interests, or other types of ownership interest, shall be defined as “original co-owners” for purposes of determining whether a change in ownership has occurred upon the subsequent transfer of the ownership interests in the legal entity.) This subdivision shall not apply to a transfer of real property which is also excluded from change in ownership pursuant to subdivision (b)(1) of this rule (transfers between or among affiliated corporations).

Examples of Transfers of Real Property in Legal Entities:

Example 2: . . . (unchanged).

Example 3: . . . (unchanged).

Example 4: Corporation X owns Blackacre and Whiteacre (both are of equal value). A & B each own 50% percent of Corporation X’s shares. X transfers Whiteacre to A and Blackacre to B. Change in ownership of 100% percent of both Blackacre and Whiteacre. However, if Corporation X transfers Whiteacre and Blackacre to both A and B as joint tenants or as equal tenants in common, there is no change in ownership.

Example 5: A transfer of real property from Corporation X to its sole shareholder A. No change in ownership, even if A is an “original co-owner,”; because interests in real property, and not ownership interests in a legal entity, are being transferred.

(c) Transfers of ownership interests in legal entities. General Rule. The purchase or transfer of corporate stock, partnership interests, or ownership interests in other legal entities is not a change in ownership of the real property of the legal entity, pursuant to Revenue and Taxation Code Section 64, subdivision (a) of the Revenue and Taxation Code.

(d) Exceptions. The following transfers constitute changes in ownership, except as provided in subdivision (d)(4) of this rule which is an exclusion from change in ownership:

(1) Control. . . (unchanged):

(A) obtains through a reorganization or any transfer, direct or indirect ownership or control of more than 50 percent of the voting stock in any corporation which is not a member of the same affiliated group of corporations as described in subdivision (b)(1) of this rule, or

(B) . . . (unchanged), or

(C) . . . (unchanged).

[Last sentence in subdivision (d)(1)] . . . (unchanged).

(2) Transfers of More than 50 Percent. When on or after March 1, 1975, real property is transferred to a partnership, corporation, limited liability company, or other legal entity and the transfer is excluded from change in ownership under Revenue and Taxation Code Section 62, subdivision (a)(2) of the Revenue and Taxation Code, and the “original co-owners” subsequently transfer, in one or more transactions, cumulatively more than 50 percent of the total control or ownership interests, as defined in subdivision (d)(1) of this rule, in that partnership, corporation, limited liability company or legal entity, there is a change in ownership of only that property owned by the entity which was previously excluded under Section 62, subdivision (a)(2). However, when such transfer would also result in a change in control under Revenue and Taxation Code Section 64, subdivision (c) of the Revenue and Taxation Code, then reappraisal of the property owned by the corporation, partnership, limited liability company, or other legal entity shall be pursuant to Section 64, subdivision (c) rather than Section 64, subdivision (d).

For purposes of this subdivision ((d)(2)), interspousal transfers excluded under Section 63 of the Revenue and Taxation Code, transfers between registered domestic partners excluded under Revenue and Taxation Code section 62, subdivision (p), transfers into qualifying trusts excluded under Revenue and Taxation Code Section 62, subdivision (d) of the Revenue and Taxation Code, and proportional transfers excluded under Revenue and Taxation Code Section 62, subdivision (a)(2) of the Revenue and Taxation Code shall not be cumulated or counted to determine a change in ownership.

Examples of Transfers of Interests in Legal Entities:

Example 6: A and B each own 50 percent of the stock of Corporation X. Corporation X acquires Whiteacre from Corporation Y, an unaffiliated corporation in which neither A nor B has interests, and Whiteacre is reappraised upon acquisition. A transfers 30 percent of Corporation X’s stock to C, and B later transfers 25 percent of Corporation X’s stock to C. Upon C’s acquisition of 55 percent of Corporation X’s stock, there is a change in control of Corporation X under Revenue and Taxation Code Section 64, subdivision (c) and a reappraisal of Whiteacre.

Example 7: Spouses H and W acquire as community property 100% percent of the capital and profits interests in an LLC which owns Blackacre. Each of H and W is treated as acquiring 50 percent of the ownership interests as defined in subdivision (c) of this rule and Revenue and Taxation Code section 64, subdivision (a). Since the selling members of the LLC are not original co-owners (because they did not transfer the property to the LLC under the Revenue and Taxation Code Section 62, subdivision (a)(2) exclusion), no change in control of the LLC would occur under Revenue and Taxation Code section 64, subdivision (c) and no change in ownership of Blackacre under Revenue and Taxation Code section 64, subdivision (d).

Example 8: A and B, hold equal interests as tenants in common in Greenacre, a parcel of real property. A and B transfer Greenacre to Corporation Y and in exchange A and B each receive 50 percent of the corporate stock. No change in ownership pursuant to Revenue and Taxation Code Section 62, subdivision (a)(2). Pursuant to Revenue and Taxation Code Section 64, subdivision (d), A and B become original coowners. A transfers 30 percent of Corporation Y's stock to C (A's child), and B then transfers 25 percent of Corporation Y's stock to D (B's grandchild). Change in ownership of Greenacre upon B's transfer to D. Parent/child and grandparent/grandchild exclusions are not applicable to transfers of interests in legal entities. However, if the same transfers were made by A and B to their respective spouses, no change in ownership pursuant to Revenue and Taxation Code Section 63 and Rule 462.220.

(3) Cooperative Housing Corporation. When the stock transferred in a cooperative housing corporation ("stock cooperative" as defined in subdivision (m) of Section 1351 of the Civil Code) conveys the exclusive right to occupancy of all or part of the corporate property, unless:

(A) the cooperative was financed under one mortgage which was insured under Sections 213, 221(d)(3), 221(d)(4), or 236 of the National Housing Act, as amended, or was financed or assisted pursuant to Sections 514, 515, or 516 of the Housing Act of 1949 or Section 202 of the Housing Act of 1959, or was financed by a direct loan from the California Housing Finance Agency, and

(B) . . . (unchanged), and

(C) . . . (unchanged).

(4) Proportional Interest Transfers. Transfers of stock, partnership interests, limited liability company interests, or any other interests in legal entities between legal entities or by an individual to a legal entity (or vice versa) which result solely in a change in the method of holding title and in which proportional ownership interests of the transferors and transferees, in each and every piece of property represented by the interests transferred, remain the same after the transfer, do not constitute changes in ownership, as provided in subdivision (b)(2) of this rule and Revenue and Taxation Code Section 62, subdivision (a)(2) ~~of the Revenue and Taxation Code~~. This provision shall not apply to a statutory conversion or statutory merger of a partnership into a limited liability company or other partnership (or a limited liability

company into a partnership) when the law of the jurisdiction of the converted or surviving entity provides that such entity remains the same entity or succeeds to the assets of the converting or disappearing entity without other act or transfer and the partners or members of the converting or disappearing entity maintain the same ownership interest in profits and capital of the converted or surviving entity that they held in the converting or disappearing entity.

Examples of Excluded Proportional Interest Transfers:

Example 9: General Partnership (GP), which owns Whiteacre and in which A and B hold equal partnership interests, converts to Limited Partnership (LP) under the Revised Uniform Partnership Act of 1994 (California Corporations Code section 16100 et seq.). As a result of the conversion, A and B each hold 50 percent of the LP interests in capital and profits. No change in ownership of Whiteacre upon the conversion, because, under ~~Section 16909~~ of the Corporations Code, there is no transfer of Whiteacre. Revenue and Taxation Code Section 62, subdivision (a)(2) ~~of the Revenue and Taxation Code~~ does not apply. However, if A and B were “original coowners” in GP, they remain “original coowners” in LP.

Example 10: Following the conversion in Example 9, A and B each transfer 30 percent of their capital and profits interests in LP to Limited Liability Company (LLC), which is owned equally by A and B. Each retain an equal 20 percent interest in LP. No change in ownership of Whiteacre pursuant to Revenue and Taxation Code Section 62, subdivision (a)(2) because A and B own 100 percent of both LP and LLC and their respective proportional interests remain the same after the transfer. Neither Revenue and Taxation Code section 64, subdivision (c) nor ~~section 64 subdivision (d) of the Revenue and Taxation Code~~ applies to this transfer, although A and B become “original coowners” with respect to their interests in LLC.

Example 11: A limited partnership (LP), which owns Blackacre and in which C and D hold equal partnership interests, changes its form to a limited liability company (LLC), in which C and D hold equal membership interests, by statutory merger under the California Revised Limited Partnership Act (California Corporations Code section 15611 et seq.) and the Beverly-Killea Limited Liability Company Act (California Corporations Code section 17000 et seq.). No change in ownership of Blackacre upon the change in form because under section 17554 of the ~~California~~ Corporations Code, there is not a transfer of property from LP to LLC. Revenue and Taxation Code Section 62, subdivision (a)(2) ~~of the Revenue and Taxation Code~~ does not apply. However, if C and D were “original coowners” in LP, they remain “original coowners” in LLC.

(e) Partnerships.

(1) Transfers of Real Property by Partnerships. General Rule. Except as provided by subdivision (b)(2) of this rule where the proportional ownership interests remain the same, when real property is contributed to a partnership or is acquired, by purchase or otherwise, by the partnership there is a change in ownership of such real property, regardless of whether the title to the property is held in the name of the partnership or in the name of the partners with

or without reference to the partnership. Except as provided by subdivision (b)(2) of this rule where the proportional ownership interests remain the same, the transfer of any interest in real property by a partnership to a partner or any other person or entity constitutes a change in ownership.

(2) Except as provided in subdivision (d)(1)(B) and ^(d)(2) of this rule, the addition or deletion of partners in a continuing partnership does not constitute a change in ownership of partnership property. CT

Note: Authority cited: Section 15606, Government Code. Reference: Sections 60, 61, 62, 63, 64 and 67, Revenue and Taxation Code; Sections 16909 and 17554, Corporations Code; and Section 1351, Civil Code.

Rule 462.220. Change in Ownership – Interspousal and Registered Domestic Partner Transfers.

Notwithstanding any other provision of Rules 460 through 471, a change in ownership shall not include any interspousal transfer, pursuant to Revenue and Taxation Code section 63, or any transfer between registered domestic partners, pursuant to Revenue and Taxation Code section 62, subdivision (p), including, but not limited to:

(a) . . . (unchanged),

(b) Transfers of ownership interests in legal entities resulting in one spouse or registered domestic partner obtaining control as defined in Revenue and Taxation Code Section 64, subdivision (c) of the Revenue and Taxation Code,

Example 1: . . . (unchanged).

(c) Transfers of ownership interests in legal entities by “original ~~co-owners~~ co-owners” which would otherwise be cumulated or counted for purposes of Revenue and Taxation Code Section 64, subdivision (d) of the Revenue and Taxation Code,

Example 2: Spouses H and W are “original ~~co-owners~~ co-owners” of a partnership; each originally owned a 50 percent partnership interest. They have previously each transferred a 10 percent interest to X and to Y, leaving H and W each with a 30 percent partnership interest. W transfers a 15 percent interest to H. Although cumulatively more than 50 percent has been transferred, there is no change in ownership.

(d) Transfers to a trustee for the beneficial use of a spouse or registered domestic partner, or the surviving spouse or registered domestic partner of a deceased transferor, or by a trustee of such a trust to the spouse or registered domestic partner of the trustor,

(e) Transfers which take effect upon the death of a spouse or registered domestic partner,

Example 3: H and W each own a 30 percent interest in General Partnership (GP). H and W transfer their respective partnership interests to the HW Revocable Trust. No change in ownership. Trust provides that upon the death of the first spouse: the assets of the deceased spouse, including partnership interests in GP, shall be distributed to "A Trust," and the assets of the surviving spouse, including partnership interests in GP, shall be distributed to "B Trust." Surviving spouse is the sole present beneficiary of both A Trust and B Trust. No change in ownership upon the death of the first spouse.

(f) Transfers to a spouse or registered domestic partner or former spouse or registered domestic partner in connection with a property settlement agreement, including post-dissolution amendment thereto, or decree of dissolution of a marriage or registered domestic partnership, or legal separation,

(g) The creation, transfer, or termination, solely between spouses or registered domestic partners, of any co-owner's interest, or

(h) The distribution of property of a corporation, partnership, or other legal entity to a spouse or registered domestic partner or former spouse or registered domestic partner having an ownership interest in the legal entity, in exchange for the interest of such spouse in the legal entity in connection with a property settlement agreement, or decree of dissolution of a marriage or registered domestic partnership, or legal separation.

Note: Authority cited: Section 15606, Government Code. Reference: Sections 60, 61, 62, 63, 64, 65, 65.1 and 67, Revenue and Taxation Code.

Rule 462.240. The Following Transfers Do Not Constitute a Change in Ownership.

The following transfers do not constitute a change in ownership:

(a) . . . (unchanged),

(1) . . . (unchanged).

(2) . . . (unchanged).

(b) . . . (unchanged).

(c) . . . (unchanged).

(d) Any contribution of real property to an employee benefit plan, any acquisition by an employee benefit plan of the stock of the employer corporation pursuant to which the employee benefit plan obtains direct or indirect ownership or control of more than 50 percent of the voting stock in the employer corporation, or the creation, vesting, transfer, distribution, or termination of a participant's or beneficiary's interest in such a plan. The terms used herein shall have the meaning ascribed to them by the Employee Retirement Income Security Act of 1974, which is codified as United States Code annotated, Title 29, Section 1002. (The term "any contribution"

as used in Revenue and Taxation Code Section 66, subdivision (b) ~~of the Revenue and Taxation Code~~ and this ~~rule~~section means only those contributions of real property made to an employee benefit plan by an employer, a group of employees, or both, without any consideration.)

(e) Any transfer of property or an interest therein between a corporation sole, a religious corporation, a public benefit corporation, and a holding corporation as defined in Revenue and Taxation Code Section 23701h ~~of the Revenue and Taxation Code~~ holding title for the benefit of any of the aforementioned corporations, or any combination thereof (including any transfer from one such entity to the same type of entity), provided that both the transferee and transferor are regulated by laws, rules, regulations, or canons of the same religious denomination.

(f) . . . (unchanged).

Example 1: . . . (unchanged).

(g) . . . (unchanged).

(h) Any transfer of property to a disabled child or ward, whether minor or adult, or to a trust for the sole benefit of such person, upon the death of a parent or guardian pursuant to Revenue and Taxation Code Section 62, subdivision (n) ~~of the Revenue and Taxation Code~~.

(i) Any transfer, on or after January 1, 1985, of a mobilehome park or of rental spaces in a mobilehome park pursuant to Revenue and Taxation Code Section 62.1 ~~of the Revenue and Taxation Code~~.

(j) Any transfer of a mobilehome park or of rental spaces in a mobilehome park pursuant to Revenue and Taxation Code Section 62.2 ~~of the Revenue and Taxation Code~~.

(k) Any transfer of a floating home marina pursuant to Revenue and Taxation Code section 62.5. ~~Any transfer of separate property inherited by a surviving domestic partner, as defined in subdivision (b) of section 37 of the Probate Code, by intestate succession upon the death of a registered domestic partner.~~

(l) Any transfer of real property between registered domestic partners, pursuant to Revenue and Taxation Code section 62, subdivision (p).

Note: Authority cited: Section 15606, Government Code. Reference: Sections 60, 61, 62, 62.1, 62.2, 62.5, 64, 66 and 67, Revenue and Taxation Code; and Sections 37, 6401 and 6402, Probate Code.

trust. Therefore, the addition of the licensee class “trustee” to CCR 4480(a) is not applicable.

DECISION

For all the reasons stated above, the rulemaking petition is denied.

CONTACT PERSON

Inquiries concerning the Bureau’s Decision may be directed to:

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Professional Fiduciaries Bureau
Department of Consumer Affairs
Post Office Box 989005
West Sacramento, CA 95798–9005
(916) 574–7340

AVAILABILITY OF PETITION

The Petition is available upon request directed to the Bureau’s contact person.

SUMMARY OF REGULATORY ACTIONS

REGULATIONS FILED WITH SECRETARY OF STATE

This Summary of Regulatory Actions lists regulations filed with the Secretary of State on the dates indicated. Copies of the regulations may be obtained by contacting the agency or from the Secretary of State, Archives, 1020 O Street, Sacramento, CA 95814, (916) 653–7715. Please have the agency name and the date filed (see below) when making a request.

File# 2013–1105–02
BOARD OF ACCOUNTANCY
Practice Privilege

The Board of Accountancy (Board) submitted this timely certificate of compliance action to make permanent the emergency regulations adopted and amended in OAL File Number 2013–0529–01E. In that action, the Board adopted six sections and amended three sections of title 16 of the California Code of Regulations pertaining to the practice privilege program. Individuals or firms licensed or registered to perform public accountancy services outside the state are allowed to practice in California if they obtain a practice privilege. Ex-

isting laws governing obtaining a practice privilege and disciplinary actions that can be taken against an individual or firm practicing in California under a practice privilege were amended in S.B. 1405 (Stats. 2012, ch. 411), which went into effect on July 1, 2013. The purpose of the emergency action was to conform the Board’s practice privilege regulations to the new laws. Additionally, the Board adopted four incorporated by reference forms and amended an existing incorporated by reference disciplinary guidelines manual in the emergency action.

Title 16
California Code of Regulations
ADOPT: 5.5, 18, 19, 20, 21, 22
AMEND: 21 (renumbered to 36.1), 26, 98
Filed 12/18/2013
Effective 12/18/2013
Agency Contact: Matthew Stanley (916) 561–1792

File# 2013–1108–02
BOARD OF EQUALIZATION
Roll Corrections

Article 4 (commencing with section 460) of chapter 4 of division 1 of title 18 of the California Code of Regulations contains property tax rules the State Board of Equalization has adopted in accordance with Government Code section 15606 to implement, interpret, and make specific the provisions for determining whether real property has undergone a change in ownership under chapter 2 (commencing with section 60) of part 0.5 of division 1 of the Revenue and Taxation Code for property tax purposes. The State Board of Equalization has made changes to sections 263, 462.020, 462.060, 462.160, 462.180, 462.220, and 462.240 to title 18 of the California Code of Regulations to implement changes made to this chapter of the Revenue and Taxation Code by SB 565 (Stats. 2005, ch. 416), AB 1700 (Stats. 2012, ch. 781), and AB 2046 (Stats. 2012, ch. 817) and to make minor grammatical and formatting changes. This filing is submitted to the Office of Administrative Law pursuant to section 100 of title 1 of the California Code of Regulations as a change without regulatory effect.

Title 18
California Code of Regulations
AMEND: 263, 462.020, 462.060, 462.160, 462.180, 462.220, 464.240
Filed 12/24/2013
Agency Contact:
Richard E. Bennion (916) 445–2130

File# 2013–1119–03
BOARD OF OCCUPATIONAL THERAPY
Retired Status & Application Processing